

Message Text

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13-12

ACTION EUR-12

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FM AMEMBASSY TUNIS

TO SECSTATE WASHDC 1480

INFO AMEMBASSY ALGIERS

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY RABAT

AMEMBASSY ROME

C O N F I D E N T I A L TUNIS 0574

GENEVA FOR MTN DELEGATION

E.O.: 11652: GDS

TAGS: MTN, ECIN, EAID, ETRD, PFOR, TS, EC

SUBJ: FURTHER REFLECTIONS ON EC/TUNISIA ASSOCIATION AGREEMENT

REF : TUNIS 145, 75 TUNIS A-115

SUMMARY. TUNISIAN OFFICIAL AND INFORMAL COMMENTARY ON NEW
ASSOCIATION AGREEMENT IS UNIFORMLY POSITIVE, IGNORING SOME
OBVIOUS SHORTCOMINGS. PM NOUIRA REPORTEDLY UPSET BY
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FAVORABLE TREATMENT ACCORDED ALGERIAN WINE. FOR U.S.,

AGREEMENT ACHIEVED MAJOR OBJECTIVE IN ELIMINATING REVERSE PREFERENCES BUT LACK OF INCREASED ACCESS FOR OLIVE OIL TO EUROPEAN MARKET WILL MAINTAIN PRESSURE TO ASSIST GOT IN ENTERING U.S. MARKET. AGREEMENT BENEFICIAL ON BALANCE FOR TUNISIA, BUT REFLECTS CONTINUING GOT EMPHASIS ON EXTERNAL AID AND CONCESSIONS FOR DEVELOPMENT. END SUMMARY.

1. TUNISIAN PRESS HAILED EC/TUNISIA AGREEMENT AND PRESENTED UNIFORMLY FAVORABLE REPORTING ON THE ADVANTAGES OF AGREEMENT TO TUNISIA. NEGATIVE ASPECTS WERE IGNORED, MINIMIZED, OR RECAST TO APPEAR AS VICTORIES. AGREEMENT DEPICTED AS "CONTRACT FOR DEVELOPMENT" WITH EMPHASIS PLACED ON OVERALL CHARACTER OF NEW AGREEMENT'S BROAD COVERAGE AS OPPOSED TO 1969 "TRADE AGREEMENT." FINANCIAL AND SOCIAL COMPONENTS OF PACKAGE WERE APPLAUDED AS SIGN EC READY TO DEAL WITH TUNISIA AS FULL PARTNER. SEC GEN OF GOVERNMENT, MONCEF BEN HAJ AMOR, IN LONG ARTICLE IN PARTY WEEKLY MAGAZINE "DIALOGUE" PUT EXCEPTIONALLY GOOD FACE ON AGREEMENT. GOT OFFICIALS IN PRIVATE CONVERSATIONS WITH EMBOFFS ALSO APPEAR PLEASED WITH AGREEMENT, ALSO IGNORING ITS SHORTCOMINGS.

2. WEIGHT OF "FAVORABLE PRESS" INDICATES THAT GOT FEELS IT OBTAINED BEST POSSIBLE OUTCOME FROM DIFFICULT BARGAINING SITUATION. PROVISIONS FOR OLIVE OIL AND WINE, HOWEVER, ARE CLEARLY NOT IMMEDIATELY ADVANTAGEOUS FOR TUNISIA. IF EARLIER COMMENTARY IS VALID, EC MARKET FOR TUNISIAN OLIVE OIL WILL REMAIN AT ONLY A FRACTIO OF PREVIOUS LEVELS SINCE EC FLOOR PRICE IS MAINTAINED UNCOMPETITIVELY HIGH, AND THUS DEMAND WILL STAY LOW. LOWERED EC DUTIES, BALANCED BY INCREASED GOT EXPORT LEVY, WILL SHIFT SOME INCOME TO GOT BUT ON PROBABLY SMALL VOLUME OF EXPORTS. GOT CAN PRESUMABLY USE "REBATE" TO LOWER PRICE, I.E., "DUMP," IN OTHER MARKETS, THUS COMPENSATING FOR SMALL EC MARKET. ON WINE, GOT HAS REPORTEDLY ALSO LOST "DROIT DE COUPAGE" WHICH HAD ALLOWED FREE ENTRY FOR RAW WINE SHIPPED IN BULK USED TO CUT EUROPEAN WINES AND SUBJECT NEITHER TO FLOOR PRICE NOR TO QUOTAS. ALL TUNISIAN WINE MUST NOW RESPECT EC FLOOR PRICE DESPITE 80 PERCENT DUTY REDUCTION GRANTED BY NEW AGREEMENT.

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3. GOT MUSH HAVE REALIZED, PROBABLY FROM OLIVE OIL CIRSIS AND ADAMANT STATEMENTS BY EC OFFICIALS, THAT EC WOULD NOT GIVE IN FURTHER TO GOT DEMANDS IN AGRICULTURAL SECTOR. SITUATION WAS UNMISTAKABLY LAID OUT FOR TUNISIANS AND MAGHREB DURING EC/MAGHRED COLLOQUIUM LAST YEAR (75 TUNIS A-115). GOT CLEARLY HAD MORE TO LOSE BY DELAYING AGREEMENT THAN EC, GIVEN FINANCIAL PACKAGE AND EXPANDED SOCIAL COVERAGE NOT IN PLACE WHILE 1969 AGREEMENT BEING EXTENDED.

4. EMBASSY UNDERSTANDS THAT PRIME MINISTER NOUIRA UPSET BY EC/ALGERIAN AGREEMENT WHICH HE THOUGHT MUCH MORE FAVORABLE THAN THAT CONCLUDED WITH TUNISIA AND MOROCCO, PARTICULARLY WITH RESPECT TO WINE. IN KEEPING WITH HIS EARLIER POSITION THAT ALL THREE MAGHREB STATES SHOULD GET EQUAL TREATMENT, NOUIRA REPORTEDLY CALLED FOR RENEGOTIATING TUNISIA AGREEMENT (TUNIS REFAIR), BUT WAS APPARENTLY DISSUADED WHEN IT WAS POINTED OUT THAT GOT UNLIKELY IMPROVE ITS POSITION AND THAT SPECIAL ADVANTAGES FOR ALGERIAN WINE RESULTING FROM SPECIAL HISTORIC ECONOMIC LINKS ONLY VALID FOR FIVE YEARS WHILE NO TIME LIMIT PLACED ON TREATMENT OF TUNISIAN AND MOROCCAN WINE EXPORTS.

5. FOR U.S., GOT FAILURE TO EFFECT LOWERING OF EC FLOOR PRICE FOR OLIVE OIL WILL CAUSE INTENSIFIED EFFORT TO DIVERSIFY TUNISIAN OLIVE OIL MARKET, INCLUDING CONTINUED EFFORTS TO BREAK INTO U.S. MARKET. AGREEMENT ELIMINATES REVERSE PREFERENCES FOR EC MANUFACTURED EXPORTS, MAJOR OBJECTIVE OF U.S. TRADE POLICY. MODEST FINANCIAL AGREEMENT (\$105 MILLION OVER 3-5 YEARS) MAY PLACE SOME INCREASED PRESSURE ON U.S. TO MATCH EC IN PROVIDING CAPITAL ASSISTANCE.

6. COMMENT. ON BALANCE, AGREEMENT IS BENEFICIAL FOR TUNISIA BUT NOT TO EXTENT ORIGINALLY THOUGHT POSSIBLE BY GOT NEGOTIATORS. FINANCIAL AND SOCIAL ASPECTS OF NEW AGREEMENT ARE CLEAR GAINS, DESPITE CALLS FOR FURTHER IMPROVEMENT IN FINANCIAL TERMS AND WORKER BENEFITS WHEN AGREEMENT RE-NEGOTIATED IN 1978. FACT THAT TUNISIA STILL CONSIDERS AID AND EMIGRANT WORKERS AS MORE IMPORTANT TO ITS ECONOMIC DEVELOPMENT THAN EXPANDED AND REINFORCED TRADING RELATIONS IS DISCOURAGING AND INDICATIVE OF NEED FOR FURTHER MATURING IN TUNISIAN ECONOMIC POLICY. PAST PROBLEMS AND THEIR SOLUTIONS
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WRE PRINCIPAL FOCUS FOR TUNISIAN NEGOTIATORS IN TRADE PACKAGE, WHICH FINALLY EMERGED AS SERIES OF PATCHES AND CONCESSIONS RATHER THAN SYSTEMATIC ATTEMPT TO STIMULATE TUNISIAN EXPORT DIVERSIFICATION. FIRM EC STAND ON AGRICULTURE MAY BE BLESSING IN DISGUISE FOR TUNISIA IF IT CAUSES REALIZATION AMONG GOT OFFICIALS THAT HISTORICAL TUNISIAN EXPORTS CANNOT ASSURE FUTURE DEVELOPMENT. POLITICALLY, AGREEMENT BEING TAKEN AS CONCRETE EXAMPLE OF EC COMMITMENT TO EURO/ARAB DIALOUGE AND POSSIBLE MODEL FOR FUTURE NORTH/SOUTH AGREEMENT.
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